

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended October 31, 2014

Commission File Number: 1-34956

CONN'S, INC.

(Exact name of registrant as specified in its charter)

A Delaware Corporation

(State or other jurisdiction of incorporation or organization)

06-1672840

(I.R.S. Employer Identification No.)

**4055 Technology Forest Blvd, Suite 210
The Woodlands, Texas 77381
(936) 230-5899**

(Address, including zip code, and telephone
number, including area code, of registrant's
principal executive offices)

None

(Former name, former address and former
fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of December 4, 2014 :

Class
Common stock, \$0.01 par value per share

Outstanding
36,297,211



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receivable and inventory. The amended and restated credit facility bears interest at LIBOR plus a spread ranging from 250 basis points to 325 basis points, based on a leverage ratio (defined as total liabilities to tangible net worth). In addition to the leverage ratio, the revolving credit facility includes a fixed charge coverage requirement, a minimum customer receivables cash recovery percentage requirement and a net capital expenditures limit. The obligations under the asset-based revolving credit facility are secured by all assets of the Borrowers. The asset-based revolving credit facility restricts the amount of dividends the Company can pay.

As of October 31, 2014, the Company had immediately available borrowing capacity of \$335.3 million under its asset-based revolving credit facility, net of standby letters of credit issued, for general corporate purposes. The Company also had \$93.1 million that may become available under its asset-based revolving credit facility if it grows the balance of eligible customer receivables and its total eligible inventory balances. The Company pays additional fees in the amount of 0.25% for the additional commitment amount.

The Company's asset-based revolving credit facility provides it the ability to utilize letters of credit to secure its deductibles under the Company's property and casualty insurance programs, among other acceptable uses. At October 31, 2014, the Company had outstanding letters of credit of \$1.1 million under this facility, which is the maximum potential amount of future payments.

The Company was in compliance with its financial covenants at October 31, 2014.

7. Contingencies

Securities Class Action Litigation. Between March 5, 2014 and May 5, 2014, the Company and three of its current and former executive officers were sued in three purported securities class action lawsuits, each filed in the United States District Court for the Southern District of Texas. Each of the complaints allege that the defendants made false and misleading statements and/or failed to disclose material adverse facts about the Company's business, operations, and prospects. The complaints allege violations of sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. The complaints do not specify the amount of damages sought.

On June 3, 2014, the court consolidated these three complaints into a single, putative class action, *In re Conn's, Inc. Securities Litigation*, Master File No. 14:14-CV-00548, and appointed lead plaintiffs. On July 21, 2014, the lead plaintiffs' filed an amended and consolidated complaint (the "Amended Complaint"). On September 4, 2014, the defendants filed a Motion to Dismiss the Amended Complaint.

On October 1, 2014, the lead plaintiffs filed a Motion for Leave to File a Second Consolidated Amended Complaint, seeking, among other things, to extend the class period. On October 15, 2014, the court granted plaintiffs' motion and on October 29, 2014, the plaintiffs' filed a Second Consolidated Amended Complaint (the "Second Amended Complaint") with the court. The Second Amended Complaint seeks to certify a class of all persons and entities that purchased or otherwise acquired Conn's common stock and/or call options, or sold/wrote Conn's put options between April 3, 2013 and August 29, 2014. The defendants intend to file an amended motion to dismiss and vigorously defend against these claims. It is not possible at this time to predict the timing or outcome of the litigation.

Derivative Litigation. On December 1, 2014, an alleged shareholder filed, purportedly on behalf of the Company, a derivative shareholder lawsuit against the Company and certain of its current and former directors and executive officers in the United States District Court for the Southern District of Texas captioned *Robert Hack, derivatively on behalf of Conn's, Inc., v. Theodore M. Wright, Bob L. Martin, Jon E.M. Jacoby, Kelly M. Malson, Douglas H. Martin, David Schofman, Scott L. Thompson, Brian E. Taylor and Michael J. Poppe and Conn's, Inc.*, Case No. 4:14-cv-03442. The complaint asserts claims for breach of fiduciary duty, unjust enrichment, gross mismanagement, and insider trading based on substantially similar factual allegations as those asserted in the consolidated securities class action lawsuit described above. The plaintiff seeks unspecified damages against these persons and does not request any damages from us. The plaintiff did not make a demand on our Board of Directors prior to filing the suit. The defendants intend to vigorously defend against these claims.

Regulatory Matters. The Company received a voluntary request for information dated November 25, 2014 from the Fort Worth Regional Office of the SEC. The information request generally relates to the Company's underwriting policies and bad debt provisions. The request states that it is part of an informal, non-public, inquiry, which, as noted by the SEC, should not be construed as an indication by the SEC or its staff that any violations of law have occurred. The Company intends to cooperate with the SEC's inquiry.

In addition, the Company is involved in other routine litigation and claims incidental to its business from time to time which, individually or in the aggregate are not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows. As required, the Company accrues estimates of the probable costs for the resolution of these matters. These estimates have been developed in consultation with counsel and are based upon an analysis of potential results, assuming